

TOWN OF WOODWAY
Snohomish County, Washington
January 1, 1992 Through December 31, 1993

Schedule Of Findings

1. Town Officials Should Improve The Internal Controls Over The Financial Systems

Our review of the financial systems of the Town of Woodway revealed weaknesses in the internal controls over these systems. Internal controls are necessary to ensure accurate financial reporting and the safeguarding of assets. We feel that the weaknesses cited below could allow errors and/or irregularities to occur without being detected in a timely manner.

a. Cash Receipts

(1) There are times when the billing, posting, and receipting duties are performed by the same person. We recommend that town officials segregate the duties of billing and posting for sewer and assessment systems from the duties of receipting in payments.

(2) Receipts are not always issued in numerical sequence. We recommend that receipts be issued in numerical order and dated on the actual day the money is received or recognized.

(3) The receipt range is not referenced on the deposit slip. Therefore it was difficult to tell if receipts were deposited intact. We recommend the range of receipts are recorded on the deposit slip. All of those receipts referenced should agree to the deposit.

(4) Deposits with the bank are not always made on a regular basis. We recommend the cash on hand be deposited at least weekly. This would not leave as much cash at the town hall and would increase the timeliness of deposits.

(5) The 1993 and 1992 LID subsidiary ledgers did not agree to the control account. We recommend that the LID subsidiary ledgers for LID 90-1 and Metro be reconciled to the general ledger and updated on a timely basis. The subsidiary ledgers should list the amount each customer owes, their payments by receipt number, and the remaining balance owed.

(6) Currently the delinquent LID assessments are not being tracked and there is no policy for delinquent assessments. We recommend the town officials implement a policy for delinquent assessments. It should include a schedule for notices, fines, and foreclosures. The policy should be in compliance with Chapter 35.50 RCW.

(7) Building permits are not prenumbered. We recommend building permits be prenumbered to provide better control over receipts for those permits.

b. Disbursements

Currently officials are using unnumbered treasurer's checks to pay for town expenditures. The treasurer's checks are not approved by council nor do they have support attached to them as to why they are being issued.

Also there were numerous treasurer's checks and warrants which were signed by one person and/or a stamp for the second signature.

RCW 35.27.170 states in part:

The town treasurer shall pay out money on warrants signed by the mayor and countersigned by the clerk and not otherwise.

We recommend that the use of treasurer's checks be discontinued and that all expenditures be paid with a warrant. We further recommend that signature stamps no longer be used for the signing of warrants.

c. Bank Statement Reconciliation

The checkbook is not reconciled to the bank statements in a timely manner. When the checkbook is reconciled, it is done by the town clerk who is a signer on the bank account. The claims and payroll bank statements are not reconciled to the warrant register.

We recommend that the reconciliation between the checkbook, the bank statements, and the actual warrants or checks issued be done on a monthly basis by someone who does not have signature authority on the accounts. Each warrant should be examined to ensure that the amount was posted correctly on the bank statement, two valid signatures exist on the warrant, and that the endorsement agrees with the payee on the front of the instrument. The reconciliation should be evident on each bank statement (signature and date).

We further recommend that the outstanding warrants be reconciled to the claims and payroll clearing funds on the general ledger.

d. Voucher and Payroll System

(1) Currently the same person who processes claims and payroll warrants and is a signer on the accounts. We recommend that the person who performs the processing of vouchers and payroll warrants should not be a signer on bank accounts.

(2) Warrants are not issued or filed numerically. We recommend warrants be filed numerically. Those used as computer printer feeders should be properly marked as "Void" with the signature portion cut out, and filed with the others. This would make it much easier to account for all warrants.

(3) During our review of the warrant approval process we noted that not all warrants were being approved by council. We recommend that all warrants be issued numerically and be approved in a sequential manner by council.

(4) There were numerous vouchers which did not contain the signature of the auditing officer. We recommend the auditing officer sign the vouchers, certifying that the vouchers are an obligation of the town as required by RCW

42.24.080.

(5) There is no indication on the voucher package to indicate whether or not an item has been received. We recommend that employees sign off on documents (invoice, packing slip) to show that goods have actually been received as stated on the document.

(6) Currently, timesheets are signed by employees but not by their supervisors. We recommend all employee timesheets (full time or part time) be approved and signed by the employee's immediate supervisor. If this is not possible for the police officers, we recommend that the payroll clerk compare the employees timesheets to the work schedule. Any discrepancies should be authorized by the police chief.

e. Petty Cash

(1) Petty cash is currently not being reconciled to the authorized amount on a regular basis. We recommend petty cash be reconciled on a regular basis to the authorized amount of \$100.

(2) Petty cash has not been authorized in accordance with the BARS manual. We recommend the Petty Cash Fund be properly authorized through an ordinance.

(3) The key to the file cabinet for petty cash and the money from the daily receipts is not kept in a limited access area. We recommend that the access be limited to the key to the file.

f. Review

The council and the mayor currently do not receive a financial report at their meetings. We recommend that the council receive at least quarterly a financial report on the status of revenues, expenditures, the budget, and cash and investment balances.

2. The Net Cash In The Local Improvement Guaranty Fund Balance Should Not Be Less Than Ten Percent Of The Outstanding Obligations Guaranteed By This Fund

Upon review of cash and investments in the LID Guaranty Fund at December 31, 1993, we found a balance of \$15,800, which falls under the requirements set by RCW 35.54.095:

. . . The net cash of the local improvement guaranty fund may be reduced by such a transfer to an amount not less than 10% of the net outstanding obligations guaranteed by such fund.

On December 31, 1993, the net outstanding obligation amounted to \$317,074. Therefore the LID Guaranty Fund should have had a minimum of net balance of \$31,707. The shortfall at year end was \$15,907.

We recommend the town fully fund the LID Guarantee Fund as required by RCW 35.54.095.

3. The Street Cost Report Should Be Prepared On An Annual Basis As Required By The State Department Of Transportation

The annual street cost report was not prepared for 1993 or 1992. This report provides information concerning street revenues, expenditures, and operations for the year.

RCW 35.21.260 states:

The governing authority of each city and town on or before March 31st of each year shall submit such records and reports regarding street operations in the city or town to the secretary of transportation on forms furnished by him as are necessary to enable him to compile an annual report thereon.

A new town clerk-treasurer was hired in January 1994. The new clerk-treasurer was unaware of this reporting requirement.

When the town's street cost report is not prepared, the annual report prepared by the State Department of Transportation (DOT) is based upon incomplete data. In addition, information needed for the State's DOT program administration is not available.

We recommend that the annual street cost report be prepared as required by law.